COMMISSION NEWS

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COMMISSION APPROVES CREDIT SUISSE SETTLEMENT

PHOENIX – The Arizona Corporation Commission approved a settlement with Credit Suisse First Boston, LLC. In an order that became final late Monday, Credit Suisse will pay the state nearly $1.2 million for violating Arizona's antifraud provisions and other laws intended to protect investors from conflicts of interest and stock research abuses. This represents the ninth such settlement involving Wall Street conflict of interest cases.

The Commission's approval of the settlement follows an investigation by state and federal agencies into the stock-research abuses and initial public offering distribution practices of Credit Suisse. Unlike the other eight settlements approved last May and September, the Credit Suisse case involves violations of the antifraud provisions of Arizona's Securities Act.

State and federal regulators found that Credit Suisse published fraudulent research reports on two stock offerings. Among other infractions, regulators found that the reports:

- Contained recommendations that were contrary to the actual views of its analysts,
- Omitted material facts about the companies covered, and
- Made exaggerated or unwarranted claims.

"This case brought by the Corporation Commission is significant to investors in a number of ways," Commission Chairman Marc Spitzer said, "but the most important message is to corporations doing business in Arizona. No company, no matter how large and powerful, is above the law."

“Particularly troubling to me were the omissions of material facts and exaggerated claims made in research reports,” Commissioner Bill Mundell said. “These are the reports that Joe and Jane Doe investor rely on when making their decisions to buy, sell or hold a stock. They should be able to trust that the information they are given is factual.”

Regulators determined that Credit Suisse engaged in improper initial public offering “spinning” activities, allocating shares to executive officers of its investment banking clients who were in a position to steer investment banking business to Credit Suisse. Regulators also found that Credit Suisse altered research analyst reports at the request of their investment banking clients. This influence compromised the independence of equity research analysts and impaired the objectivity of the research reports.

“Credit Suisse is not the first company to be accused of IPO spinning, but the practice is wrong,” Commissioner Jeff Hatch-Miller said. “It is meant to reward people for special favors or increased business. Before investors can have faith in Wall Street, Wall Street has to stop playing favorites and start playing fair.”

Commissioner Kristin K. Mayes echoed those remarks, adding that the reforms proposed in the Commission’s order are meant to bring about lasting change. “I believe that an enforcement order alone is not enough when widespread abuses of trust have occurred.” Mayes said. “The settlements with Credit Suisse and other firms contain important reforms that are meant to restore trust in the financial markets.”

Similar to the other settlements, Credit Suisse agreed to implement significant reforms to its stock research practices. In part, these changes include:

- Disclosing on research reports any investment banking compensation the firm received or expects to receive from the companies covered,
- Separating compensation for research analysts from the firm’s investment banking business,
- Prohibiting investment bankers from influencing analysts’ compensation,
- Establishing a Research Recommendations Committee to ensure the veracity of stock research recommendations,
- Prohibiting all employees from promising or implying that a recommendation would be made in exchange

for the firm being awarded an investment banking transaction, and

- Designating a compliance monitor who will ensure compliance of the agreement and be available to research analysts who feel undue influence or pressure from any source.

"Our unanimous vote orders Credit Suisse to pay a $1.1 million penalty to Arizona and to institute significant corporate reforms," Commissioner Mike Gleason explained. "This is an important step in restoring the public's confidence in the stock market."

Approval of the agreement concludes Arizona's investigation and any action the Commission could initiate against Credit Suisse in connection with its past research practices. The agreement and the Commission's order, however, do not preclude any investor's private litigation against this firm.

To read about Commission actions against other Wall Street brokerage firms or to learn about enforcement actions by the Commission, view the news releases section of the website at: http://www.ccsd.cc.state.az.us/news_releases/index.asp. Investors can find a variety of helpful brochures and tips on wise investing at: http://www.ccsd.cc.state.az.us/investor_education/index.asp. To call the Commission's Securities Division, dial 602-542-4242 or toll free, 1-877-811-3878.

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